

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Belvidere Township	County Montcalm
Fiscal Year End March 31, 2006	Opinion Date May 2, 2006	Date Audit Report Submitted to Sate September 5, 2006	

We affirm that:

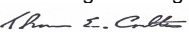
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES      NO      **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo CPAs, P.C.		Telephone Number 989-463-6108	
Street Address 7810 N. Alger Rd.		City Alma	State MI
Authorizing CPA Signature 		Printed Name Thomas E. Coulter	License Number 1612544

**Belvidere Township**  
**Montcalm County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**March 31, 2006**

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**Belvidere Township**  
**List of Elected and Appointed Officials**  
**March 31, 2006**

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Township Officials

Steve Brigham - Supervisor

Sheila Smith - Clerk

Diana Eckert - Treasurer

Darlene Beardslee – Trustee

Gerald Derenski – Trustee

## **Independent Auditors' Report**

To the Township Board  
Belvidere Township  
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Belvidere Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Belvidere Township as of March 31, 2006, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Yeo & Yeo, P.C.*

May 2, 2006  
Alma, Michigan

**Belvidere Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2006**

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Our discussion and analysis of Belvidere Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006.

Total net assets related to the Township's governmental activities are \$1,465,815. The amount that is unrestricted is \$1,370,782.

State shared revenues, our largest revenue source, was reduced by about \$1,350 by the State of Michigan this year. In light of continuing State Budget Problems, and constant threats to take away all revenue sharing, the Township has reacted by invoking tighter controls over all expenditures.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Belvidere Township as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**Belvidere Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2006**

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**Belvidere Township as a Whole**

The following table shows, in a condensed format, the net assets as of March 31, 2006 and 2005.

Table 1

	Governmental Activities	
	2006	2005
	<u>2006</u>	<u>2005</u>
Capital assets	\$ 1,378,658	\$ 1,229,185
Capital assets, net	<u>95,033</u>	<u>98,225</u>
 Total assets	 <u>1,473,691</u>	 <u>1,327,410</u>
 Current liabilities	 <u>7,876</u>	 <u>4,057</u>
 Total net assets	 <u>\$ 1,465,815</u>	 <u>\$ 1,323,353</u>

Belvidere Township's net assets of governmental activities are \$1,465,815, of which \$1,370,782 is classified as unrestricted and the remaining \$95,033 is invested in capital assets.

**Belvidere Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2006**

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The following table shows, in a condensed format, the statement of activities as of March 31, 2006 and 2005.

Table 2

	Governmental 2006	Activities 2005
<b>Revenue</b>		
Program revenue		
Charges for services	\$ 10,625	\$ 13,825
General revenue:		
Property taxes	310,948	293,791
State-shared revenue	181,473	182,822
Unrestricted investment earnings	31,216	12,142
Miscellaneous	44,188	29,761
Total revenue	<u>578,450</u>	<u>532,341</u>
<b>Program expenses</b>		
General government	147,321	151,725
Public safety	50,486	36,215
Public works	34,347	30,681
Highways, streets, bridges, and sidewalks	65,077	45,541
Recreation and culture	17,539	14,302
Refuse collection	121,218	112,373
Total program expenses	<u>435,988</u>	<u>390,837</u>
<b>Change in net assets</b>	<u>\$ 142,462</u>	<u>\$ 141,504</u>

**Belvidere Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2006**

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**Governmental Activities**

Belvidere Township's total governmental activity revenues were \$578,450 and \$532,341 for the years ended March 31, 2006 and 2005, respectively. Unrestricted investment earnings increased in the current year due to an increase in interest rates on checking and deposit accounts. Miscellaneous income also increased in the current year due to an increase in rental income and other income.

Governmental activity expenditures of \$435,988 and \$390,837 were recorded for the years ended March 31, 2006 and 2005 respectively. This included increases in fire repair and maintenance expense, road repair and maintenance expense, and refuse collection and disposal expense in the current year. To offset this, the Township closely monitored its spending in all other areas.

**Belvidere Township's Funds**

The fund financial statements provide detailed information about the most significant funds, not Belvidere Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as show accountability for certain activities.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had an increase in fund balance of \$101,084 in the current year.

b) **Special Revenue**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c) **Fiduciary Fund**

The Fiduciary Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

**Belvidere Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2006**

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**General Fund Budgetary Highlights**

Over the course of the year, the Township Board monitors and amends the budget to account for unanticipated events during the year. The most significant changes were an increase in repair and maintenance expense for fire services, an increase in refuse collection and disposal expense, and an increase in repair and maintenance expense for the roads. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these increased expenditures.

**Capital Assets**

At March 31, 2006, Belvidere Township has \$411,402 invested in a wide range of capital assets, including land, buildings, and machinery and equipment. The total amount of accumulated depreciation as of March 31, 2006 was \$316,369. The net capital asset balance at the end of the fiscal year is \$95,033.

**Economic Factors and Next Year's Budgets and Rates**

The Township needs to continue to monitor its budget very closely. State revenue-sharing payments were decreased again this past year with the potential to decrease again due to State cutbacks and less sales tax receipts at the State level. These factors, coupled with recent decreases from historical norms in other revenues, including charges for services, continue to have a concern on the Township's ability to balance its budget.

Despite these concerns, the Township will continue to operate as efficiently as possible in the next fiscal year.

**Contacting Belvidere Townships Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Belvidere Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at the Township hall.

**Belvidere Township**  
**Statement of Net Assets**  
**March 31, 2006**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,297,721
Receivables	
Delinquent personal property taxes	3,855
Accrued interest and other	3,897
Due from other units of government	71,970
Prepaid items	1,215
Capital assets (net)	<u>95,033</u>
 Total assets	 <u>1,473,691</u>
 <b>Liabilities</b>	
Accounts payable	3,401
Accrued and other liabilities	<u>4,475</u>
 Total liabilities	 <u>7,876</u>
 <b>Net Assets</b>	
Invested in capital assets	95,033
Unrestricted	<u>1,370,782</u>
 Total net assets	 <u><u>\$ 1,465,815</u></u>

See Accompanying Notes to Financial Statements

**Belvidere Township**  
**Statement of Activities**  
**Year Ended March 31, 2006**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Functions/Programs					
<b>Primary Government</b>					
Governmental activities					
General Government	\$ 147,321	\$ 4,225	\$ -	\$ -	\$ (143,096)
Public safety	50,486	6,400	-	-	(44,086)
Public works	155,565	-	-	-	(155,565)
Highways, streets, bridges, and sidewalks	65,077	-	-	-	(65,077)
Recreation and culture	17,539	-	-	-	(17,539)
Total governmental activities	<u>\$ 435,988</u>	<u>\$ 10,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (425,363)</u>
		General revenues			
		Property taxes			310,948
		State shared revenues			181,473
		Unrestricted investment earnings			31,216
		Miscellaneous			44,188
		Total general revenues			<u>567,825</u>
		Change in net assets			142,462
		Net assets - beginning			<u>1,323,353</u>
		Net assets - ending			<u>\$ 1,465,815</u>

See Accompanying Notes to Financial Statements

**Belvidere Township**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2006**

	General Fund	Special Revenue Funds		Total Governmental Funds
		Road Fund	Refuse Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 921,994	\$ 100,850	\$ 274,877	\$ 1,297,721
Delinquent personal tax	3,855	-	-	3,855
Interest receivable	1,442	-	2,455	3,897
Due from other funds	6,908	5,903	11,421	24,232
Due from other governments	51,274	7,619	13,077	71,970
Prepaid expenses	1,215	-	-	1,215
Total assets	<u>\$ 986,688</u>	<u>\$ 114,372</u>	<u>\$ 301,830</u>	<u>\$ 1,402,890</u>
<b>Liabilities</b>				
Liabilities				
Accounts payable	\$ 3,401	\$ -	\$ -	\$ 3,401
Accrued wages payable	4,475	-	-	4,475
Due to other funds	17,324	4,180	2,728	24,232
Deferred revenue	14,283	7,619	13,077	34,979
Total liabilities	<u>39,483</u>	<u>11,799</u>	<u>15,805</u>	<u>67,087</u>
<b>Fund balance</b>				
Unreserved, reported in				
General fund	947,205	-	-	947,205
Special revenue funds	-	102,573	286,025	388,598
Total fund balance	<u>947,205</u>	<u>102,573</u>	<u>286,025</u>	<u>1,335,803</u>
Total liabilities and fund balance	<u>\$ 986,688</u>	<u>\$ 114,372</u>	<u>\$ 301,830</u>	<u>\$ 1,402,890</u>

See Accompanying Notes to Financial Statements

**Belvidere Township**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**March 31, 2006**

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<b>Total fund balances for governmental funds</b>	\$ 1,335,803
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	95,033
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>34,979</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 1,465,815</u></u>

**Belvidere Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended March 31, 2006**

		<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Road Fund</u>	<u>Refuse Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 89,240	\$ 69,635	\$ 119,549	\$ 278,424
Licenses and permits	4,335	-	-	4,335
State grants	181,473	-	-	181,473
Charges for services	10,625	-	-	10,625
Interest income	22,059	1,749	4,953	28,761
Rental income	18,837	-	-	18,837
Other revenue	21,016	-	-	21,016
	<u>347,585</u>	<u>71,384</u>	<u>124,502</u>	<u>543,471</u>
<b>Expenditures</b>				
Current				
General government	148,086	-	-	148,086
Public safety	46,886	-	-	46,886
Public works	34,347	-	121,218	155,565
Highways, street, bridges and sidewalks	-	65,077	-	65,077
Recreation and culture	17,182	-	-	17,182
	<u>246,501</u>	<u>65,077</u>	<u>121,218</u>	<u>432,796</u>
Total expenditures				
	<u>246,501</u>	<u>65,077</u>	<u>121,218</u>	<u>432,796</u>
Net change in fund balance	101,084	6,307	3,284	110,675
Fund balance - beginning	846,121	96,266	282,741	1,225,128
Fund balance - ending	<u>\$ 947,205</u>	<u>\$ 102,573</u>	<u>\$ 286,025</u>	<u>\$ 1,335,803</u>

See Accompanying Notes to Financial Statements

**Belvidere Township**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended March 31, 2006**

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	<u>Primary Government</u>
<b>Net change in fund balances - total governmental funds</b>	\$ 110,675
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(7,907)
Capital outlay	4,715
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	32,524
Unrestricted investment earnings	<u>2,455</u>
<b>Change in net assets of governmental activities</b>	\$ <u><u>142,462</u></u>

See Accompanying Notes to Financial Statements

**Belvidere Township**  
**Statement of Fiduciary Assets and Liabilities**  
**Tax Collection Fund**  
**March 31, 2006**

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**Assets**

Cash	\$ <u>450</u>
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**Liabilities**

Due to governmental units	\$ <u>450</u>
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**Belvidere Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township is located in Montcalm County, Michigan. The Township operates under a township board comprised of five (5) members and provides services to its residents in many areas including public safety, highways and streets, culture-recreation, public improvements and general administrative services.

**Reporting Entity**

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Township is the primary government which has oversight responsibility and control over all activities. The Township receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township (the primary government) and does not include any other component within its general purpose financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given

function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days

**Belvidere Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Road Fund accounts for the revenue and expenditures with the government's road operations.
- The Refuse Fund accounts for the revenue and expenditures with the government's refuse collection operation.

Additionally, the Township reports the following:

**Agency Funds** – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Property tax revenue**

The property tax levy runs from January 1 to December 31. Property taxes become a lien on the last day of the levy year and are due on or before February 14 with the final collection date of February 28. Real property taxes uncollected as of February 28 are purchased by the County of Montcalm and remitted to the Township. Collection of delinquent personal property taxes remain the responsibility of the Township Treasurer.

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. Property taxes not deemed collectible within this period are recorded as deferred revenue.

The assessed Taxable Value for the Township for the 2005 tax levy is as follows:

Real and Personal Property	\$ 79,238,741
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The Township levied millage for taxes as follows:

General Operating	.8371 Mills
Roads	.9756 Mills
Refuse	.4185 Mills
Refuse	1.2558 Mills

**Assets, liabilities and net assets or equity**

*Cash and cash equivalents* – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

*Receivables and payables* – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing

**Belvidere Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

*Prepaid items* – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital assets* – Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

Land improvements	10 to 20 years
Building and building improvements	25 to 40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

*Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Economic Dependency**

The Township received approximately 52% of their General Fund revenue from the State of Michigan. Due to the significance of this revenue source, the Township is considered to be economically dependent on the State of Michigan.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **Budgetary information**

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board. Comparative data is not included in the Township's financial statements.

**Belvidere Township**  
**Notes to Financial Statements**  
**March 31, 2006**

**Excess of expenditures over appropriations**

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, the Township incurred expenditures in the General Fund, Road Fund and Refuse Fund in excess of the amount appropriated as follows:

<u>FUND</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General Fund			
Legislative	\$ 40,000	\$ 41,326	\$ 1,326
Road Fund			
Contracted Services	62,500	65,077	2,577
Refuse Fund			
Contracted Services	113,000	121,218	8,218

**NOTE 3 - DEPOSITS**

At year end the government's deposits were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 1,297,721
Fiduciary funds	<u>450</u>
Total	<u>\$ 1,298,171</u>

*Interest rate risk* – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

*Credit risk* – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States.

United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$915,715 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Belvidere Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 4 – RECEIVABLES AND DEFERRED REVENUE**

Receivables are due within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
<b>Primary government</b>	
Property taxes	\$ 32,524
Unrestricted investment earnings	<u>2,455</u>
	<u>\$ 34,979</u>

**Belvidere Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 5 – CAPITAL ASSETS**

	Beginning Balances	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 47,300	\$ -	\$ -	\$ 47,300
Capital assets being depreciated				
Buildings, additions and improvements	86,421	-	-	86,421
Machinery and equipment	272,966	4,715	-	277,681
	<u>359,387</u>	<u>4,715</u>	<u>-</u>	<u>364,102</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Buildings, additions and improvements	60,435	870	-	61,305
Machinery and equipment	248,027	7,037	-	255,064
	<u>308,462</u>	<u>7,907</u>	<u>-</u>	<u>316,369</u>
Total accumulated depreciation				
Net capital assets being depreciated	<u>50,925</u>	<u>(3,192)</u>	<u>-</u>	<u>47,733</u>
Governmental activities capital assets, net	<u>\$ 98,225</u>	<u>\$ (3,192)</u>	<u>\$ -</u>	<u>\$ 95,033</u>

**Belvidere Township**  
**Notes to Financial Statements**  
**March 31, 2006**

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**NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road Fund	4,180
General Fund	Refuse Fund	2,728
Road Fund	General Fund	5,903
Refuse Fund	General Fund	11,421
		<u>\$ 24,232</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

**NOTE 7 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all its insurance needs. Settled claims for commercial insurance have not materially exceeded the amount of insurance coverage in any of the past three fiscal years.

**Belvidere Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended March 31, 2006**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 68,000	\$ 68,000	\$ 60,826	\$ (7,174)
Administration fees	22,000	22,000	28,414	6,414
Licenses and permits	3,000	3,000	4,335	1,335
State revenue sharing	175,000	175,000	181,473	6,473
Charges for services	11,900	11,900	10,625	(1,275)
Rentals	12,000	12,000	18,837	6,837
Interest	8,000	8,000	22,059	14,059
Refunds	1,000	1,000	-	(1,000)
Other	3,000	3,000	21,016	18,016
Total revenues	<u>303,900</u>	<u>303,900</u>	<u>347,585</u>	<u>43,685</u>
Expenditures				
Legislative				
Township board	40,000	40,000	41,326	1,326
General government				
Supervisor	8,500	8,500	7,819	(681)
Elections	5,000	5,000	1,052	(3,948)
Assessor	24,000	24,000	25,258	1,258
Clerk	15,000	15,000	15,228	228
Community building	10,000	10,000	7,251	(2,749)
Board of Review	2,500	2,500	1,463	(1,037)
Treasurer	18,000	18,000	22,029	4,029
Cemetery	30,000	30,000	26,660	(3,340)
Total legislative and general government	<u>153,000</u>	<u>153,000</u>	<u>148,086</u>	<u>(4,914)</u>
Public safety				
Fire	42,100	42,100	33,463	(8,637)
Zoning	16,000	16,000	13,423	(2,577)
Total public safety	<u>58,100</u>	<u>58,100</u>	<u>46,886</u>	<u>(11,214)</u>

**Belvidere Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended March 31, 2006**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Street lighting	\$ 50,000	\$ 50,000	\$ 3,754	\$ (46,246)
Contract service	-	-	25,898	25,898
Miscellaneous	-	-	4,695	4,695
Total public works	<u>50,000</u>	<u>50,000</u>	<u>34,347</u>	<u>(15,653)</u>
Recreation and cultural				
Recreation parks	<u>26,000</u>	<u>26,000</u>	<u>17,182</u>	<u>(8,818)</u>
Total expenditures	<u>287,100</u>	<u>287,100</u>	<u>246,501</u>	<u>(40,599)</u>
Excess of revenues over expenditures	16,800	16,800	101,084	84,284
Fund balance, beginning of year	<u>846,121</u>	<u>846,121</u>	<u>846,121</u>	<u>-</u>
Fund balance, end of year	<u>\$ 862,921</u>	<u>\$ 862,921</u>	<u>\$ 947,205</u>	<u>\$ 84,284</u>

**Belvidere Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Road Fund**  
**Year Ended March 31, 2006**

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Property taxes - current	\$ 62,500	\$ 62,500	\$ 69,635	\$ 7,135
Interest	-	-	1,749	1,749
Total revenues	62,500	62,500	71,384	8,884
Expenditures				
Highways, streets and bridges				
Contracted services	62,500	62,500	65,077	2,577
Excess of revenues over expenditures	-	-	6,307	6,307
Fund balance, beginning of year	96,266	96,266	96,266	-
Fund balance, end of year	\$ 96,266	\$ 96,266	\$ 102,573	\$ 6,307

**Belvidere Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Refuse Collection Fund**  
**Year Ended March 31, 2006**

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	\$ 113,000	\$ 113,000	\$ 119,549	\$ 6,549
Interest	-	-	4,953	4,953
Total revenues	<u>113,000</u>	<u>113,000</u>	<u>124,502</u>	<u>11,502</u>
Expenditures				
Refuse collection and disposal				
Contracted services	113,000	113,000	120,703	7,703
Miscellaneous	-	-	515	515
Total expenditures	<u>113,000</u>	<u>113,000</u>	<u>121,218</u>	<u>8,218</u>
Excess of revenues over expenditures	-	-	3,284	3,284
Fund balance, beginning of year	<u>282,741</u>	<u>282,741</u>	<u>282,741</u>	<u>-</u>
Fund balance, end of year	<u>\$ 282,741</u>	<u>\$ 282,741</u>	<u>\$ 286,025</u>	<u>\$ 3,284</u>



7810 N. Alger Rd.  
Alma, MI 48801  
Phone (989) 463-6108  
Fax (989) 463-8560

May 2, 2006

To the Township Board  
Belvidere Township  
Montcalm County, Michigan

In planning and performing our audit of the financial statements of Belvidere Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters.

#### SEGREGATION OF DUTIES FOR THE TAX ACCOUNT

During the inquiries with township employees regarding internal control procedures for cash disbursements, it was noted that the Treasurer conducts all activity in the Tax Account including writing all checks, signing and mailing the checks, and doing the bank reconciliation. We suggest that the Clerk sign and mail the tax account checks. We also recommend that the Clerk or a board member receive and review the unopened bank statements before passing them along to the Treasurer for reconciliation. This will allow for more of a separation of duties in the tax account.

#### LOCKING YEAR END BALANCES IN QUICKBOOKS

During the audit, it was also noted that the Quick Books program allows a user to post entries to prior years. We recommend that the Clerk lock the year end balances in Quick Books which deters any further journal entries from being made to the prior year by mistake. When you lock Quick Books, you are then required to enter in a password every time you want to make a journal entry to the prior period. This will emphasize changes made to the prior year.

To lock Quick Books, complete the following instructions:

- Click on Edit (top of the screen)
- Click on Preferences (from the drop down window)
- Click on Accounting (from the tabs on the left of the window)
- Click on Customer Preferences (right tab on the window)
- Enter the Closing Date (this year would be 3/31/06)
- Set a Password (can use the same password as for Quick Books access; this password will be needed to make changes to accounting information prior to the closing date entered)

We further recommend that the Treasurer periodically review the journal entries made for reasonableness and proper support. The Treasurer should monitor the "Audit Trail" component of Quick Books to verify that no adjusting journal entries previously made were subsequently changed. If changes were made, the Treasurer should then verify the appropriateness of those changes.

The above procedures will tighten controls over journal entries and will prevent journal entries from being posted to prior years by mistake.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township personnel, and we will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the Township and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

This report is intended solely for the information and use of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Yeo & Yeo, P.C.".

YEO & YEO, P.C.

CPAs and Business Consultants